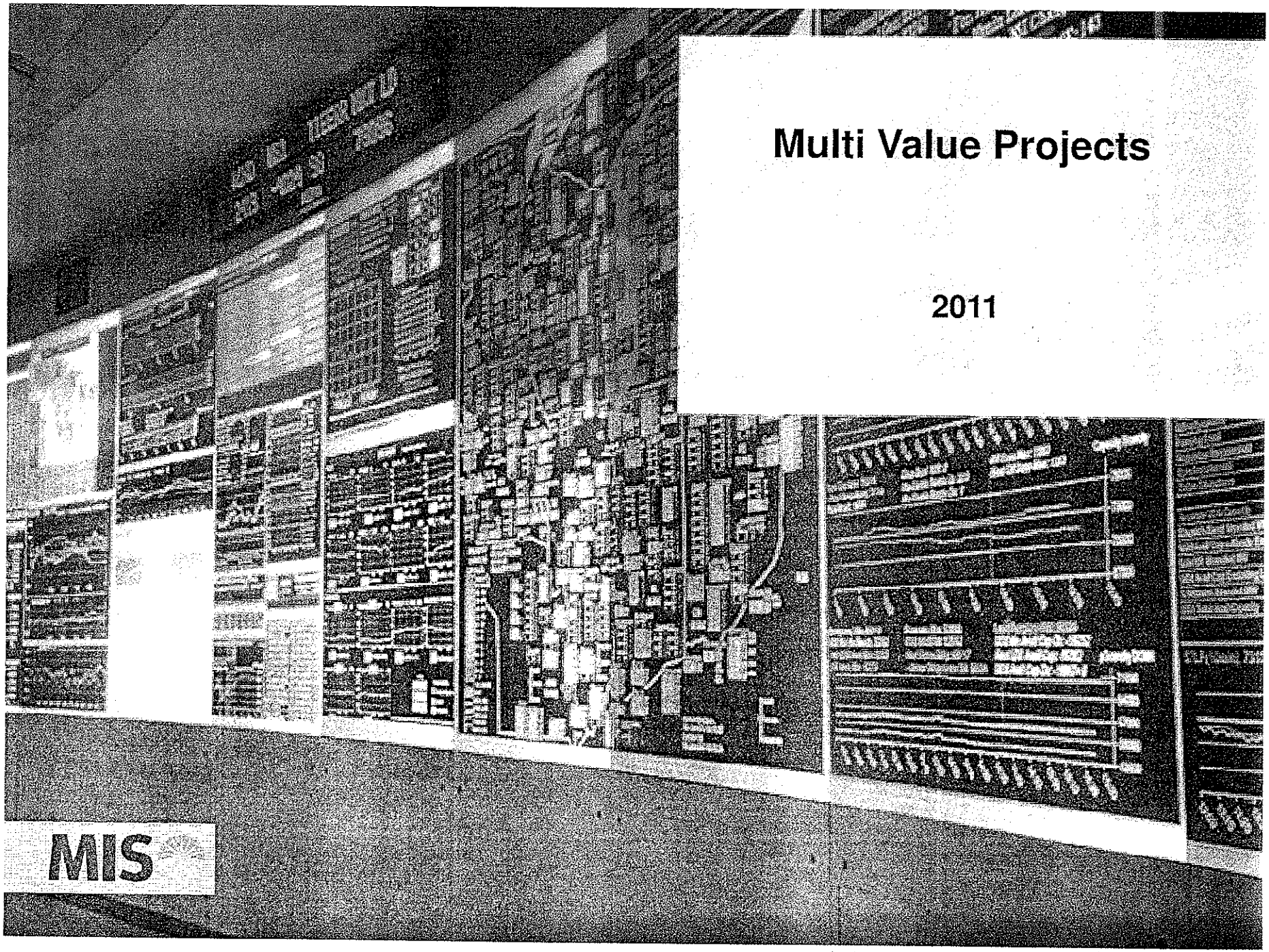
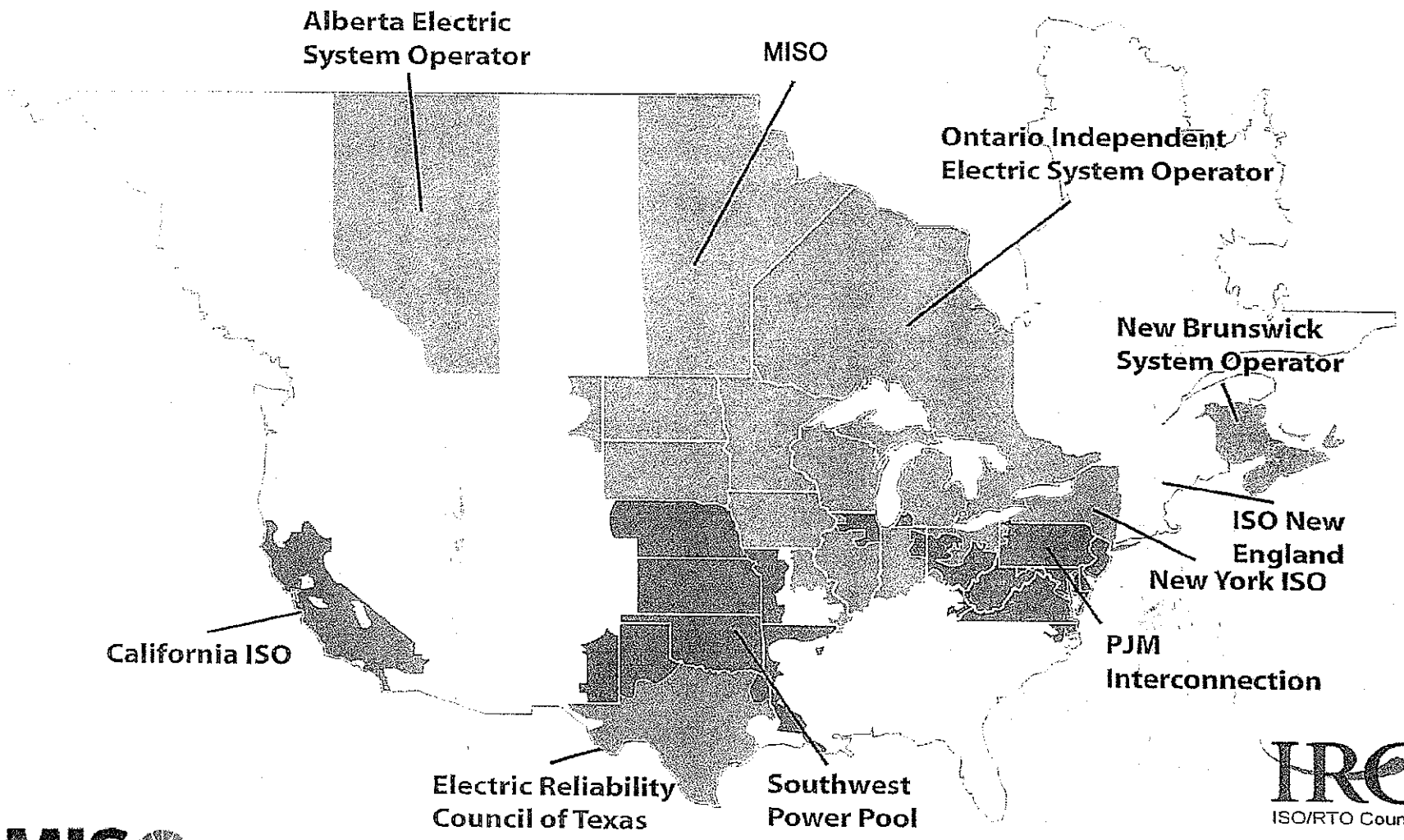


Multi Value Projects

2011

North American RTOs



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IRC ISO/RTO Council

The MISO's role is concentrated in a few key areas

What We Do	Implications
Provide independent transmission system access	>Equal and non-discriminatory access >Eliminate transmission rate pancaking (staked fees)
Deliver improved reliability coordination through efficient market operations	>Improved regional coordination >Independent lowest cost unit commitment, dispatch, and congestion management
Coordinate regional planning	>Integrated system planning >Balance transmission and generation tradeoffs
Provide price information transparency	>Market price/value discovery >Encourage prudent infrastructure investment

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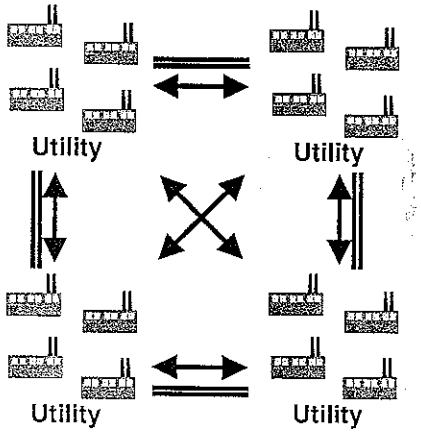
Transmission Objective Function Varies Based on Construct

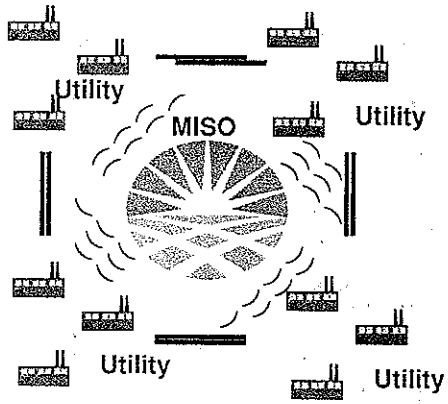
Pre-Market

- Match my generation to my load (decentralized unit commitment and dispatch)
- Value comes from a utility's own units
- Objective: Minimize cost of transmission investment



Post-Market

- Access generation in the market (centralized unit commitment and dispatch)
- Value comes from accessing cheaper generation
- Objective: Lowest wholesale energy cost



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= Transmission Lines

= Bilateral Agreements

MISO Planning Objectives

Fundamental Goal

The development of a comprehensive expansion plan that meets reliability needs, policy needs, and economic needs

MISO Board of Director Planning Principles*

- **Make the benefits of an economically efficient energy market available to customers by providing access to the lowest electric energy costs**
- Provide a transmission infrastructure that safeguards local and regional reliability and supports interconnection-wide reliability
- Support state and federal energy policy objectives by planning for access to a changing resource mix
- Provide an appropriate cost mechanism that ensures the realization of benefits over time is commensurate with the allocation of costs
- Develop transmission system scenario models and make them available to state and federal energy policy makers to provide context and inform the choices they face

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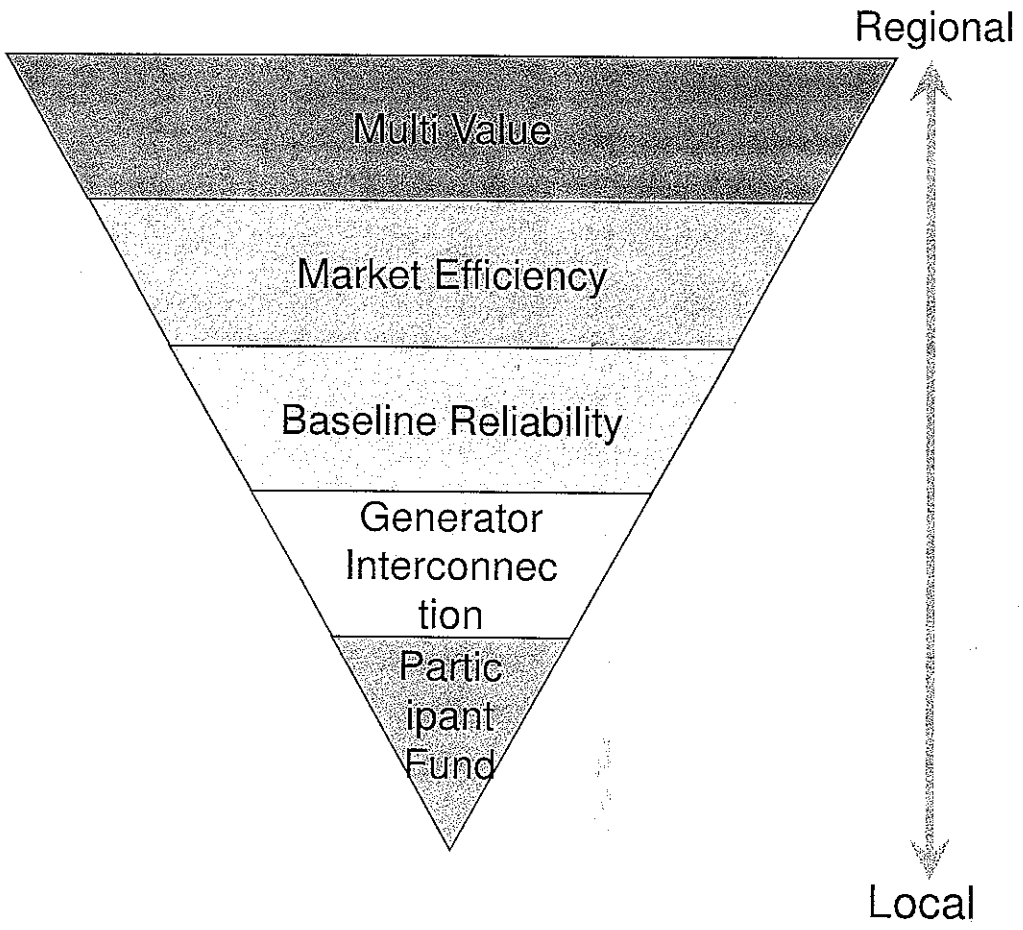
* As modified and approved by MISO Board of Directors System Planning Committee 5/16/2011; pending full board approval

Planning and Cost Allocation are Inextricably Linked



Cost Allocation approach matches the business case (i.e. benefits) with the spread of dollars

- Benefits of Multi-Value Projects (MVPs) are spread regionally consistent with the widespread benefits from regional plan
- Economic benefits of Market Efficiency Projects spread farther beyond the local zone
- Reliability benefits of Baseline Reliability Projects primarily stay in the zone in which the reliability issue exists
- Generator Interconnection Projects paid primarily by Interconnection Customer
- Participant funded projects are paid by the party proposing the project

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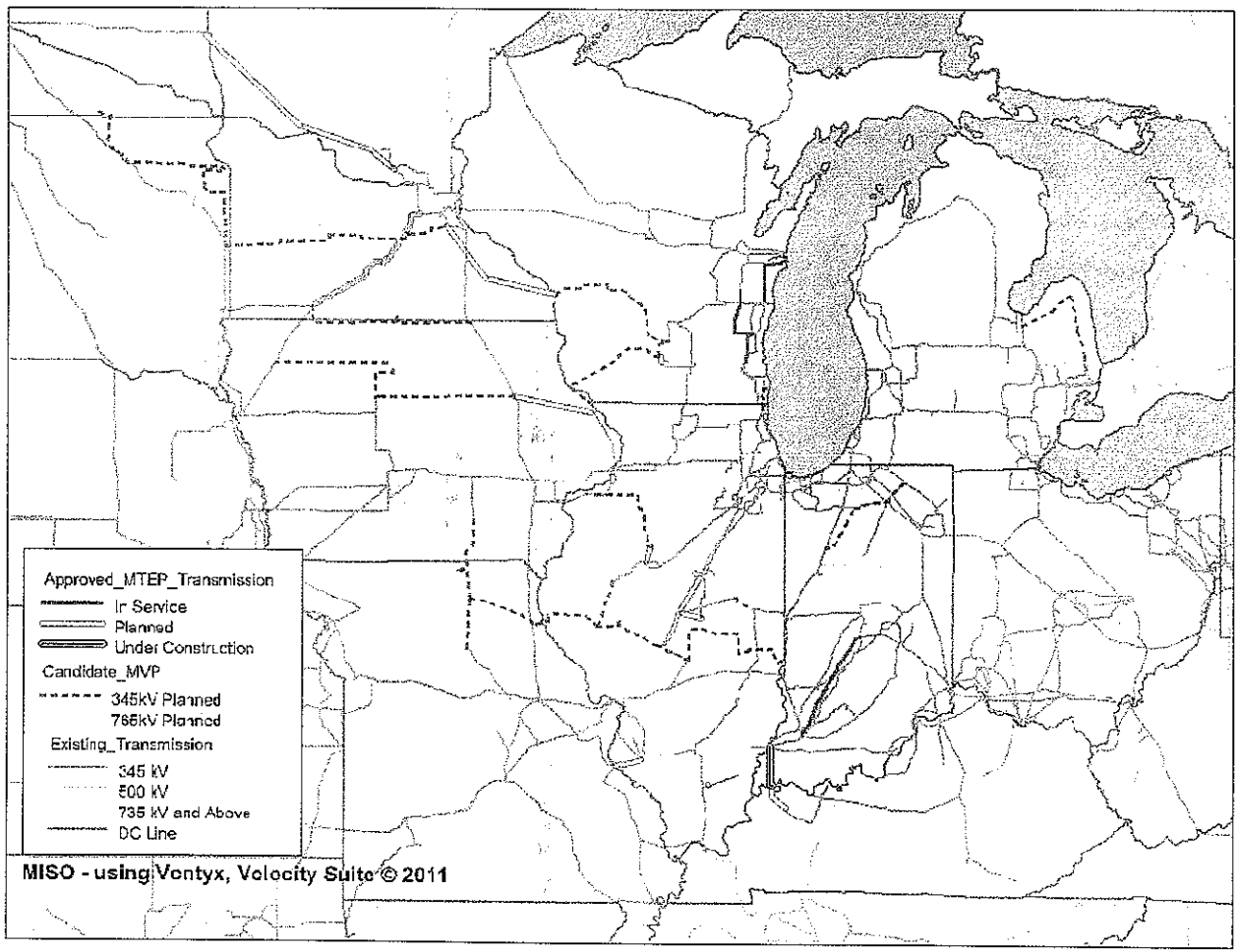
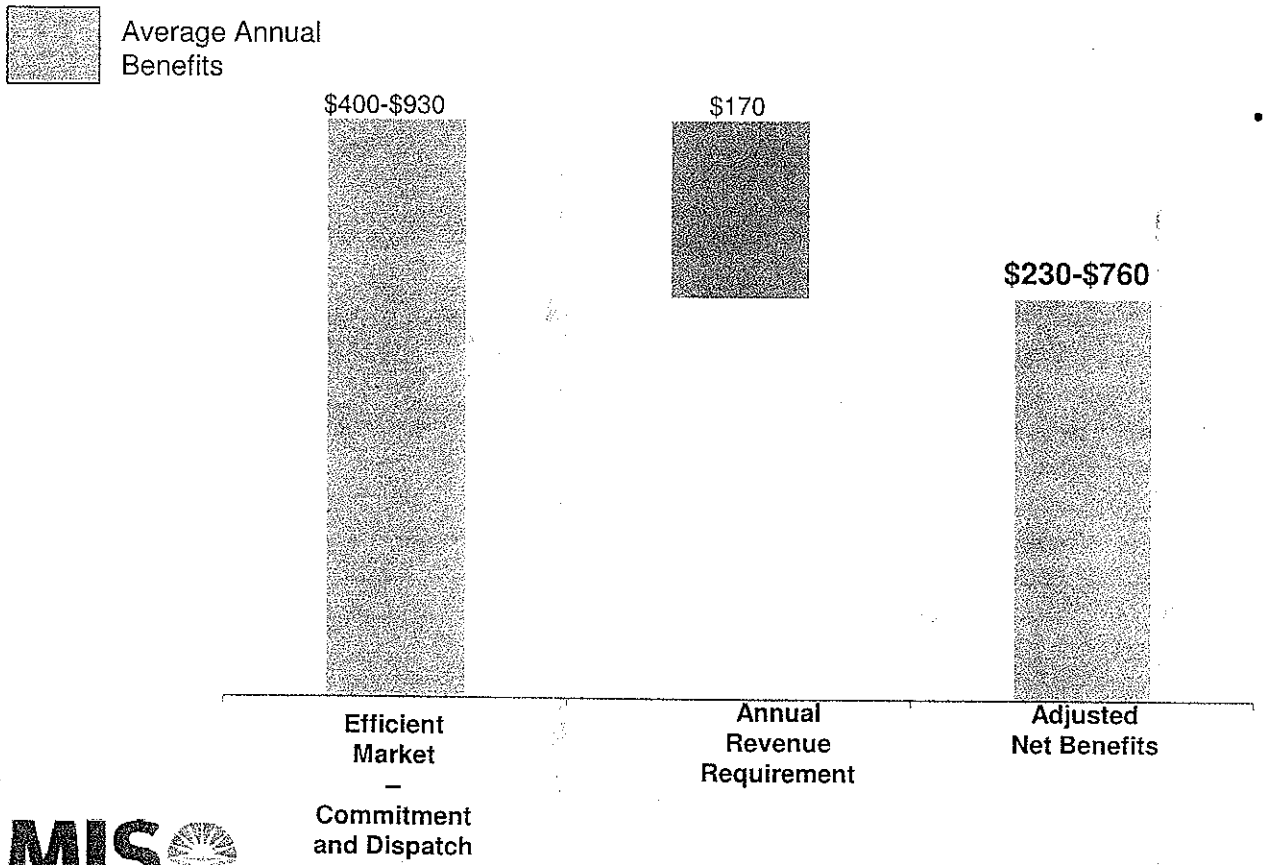
Candidate MVPs Enhance the Regional Nature of the Grid



Candidate MVPs combined with the existing system and other planned projects increase transfer capability throughout the footprint, offering increased access to import and export power

Transmission Provides Benefits to Michigan Along All Aspects of the Value Proposition

East Region Benefit by Value Driver[1]
(in $ millions)



- Aggregate of wind generation lowers prices across the footprint given sufficient transmission
- In addition to production cost savings, additional benefits will be realized
  - A more robust system improves reliability
  - Increasing transfer capability increases the size of the risk pool resulting in lower ancillary services costs and overall capacity costs

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[1] *East region includes DTE, CONS, NIPSCO; Figures shown reflect annual benefits from Candidate MVP Study as of 05/13/2011*